

# ***FTC Consumer Alert***

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

## **Electronic Check Conversion**

The next time you write a check to your local merchant, the cashier may hand it back to you after the transaction. Why? More merchants are using electronic check conversion — a service that converts a paper check into an electronic payment at the point of sale. In fact, NACHA — the Electronic Payments Association — estimates that 32 million paper checks were converted into electronic checks at retail locations in 2000.

### **How does electronic check conversion work?**

When you give your check to a store cashier, the check is processed through an electronic system that captures your banking information and the amount of the check. Once the check is processed, you're asked to sign a receipt authorizing the merchant to present the check to your bank electronically and deposit the funds into the merchant's account. You get a receipt of the electronic transaction for your records. When your check has been processed and returned to you by the merchant, it should be voided or marked by the merchant so that it cannot be used again.

It's important to keep your processed checks, especially if you need proof of payment. That's because these checks are never processed by your bank in the traditional sense. That means your bank may be unable to give you a duplicate copy.

### **What does electronic check conversion mean to you?**

There may be no float on your check. That means, if you write a check today, you need to have funds in your account today to cover it. If you don't, your check may bounce and you may be charged a bounced check fee by the merchant, your bank or both. Bounced checks can blemish your credit record.

If you're concerned about bounced check fees, you may want to consider overdraft protection or a backup line of credit on your account. Be aware, your financial institution may charge for these services.

### **Keeping Close Tabs on Your Account**

The Federal Trade Commission suggests that you:

- **Keep track of deposits.** Make sure you record all deposits to your checking account in your checkbook immediately. When you make deposits, save the receipts. They can help correct mistakes. Remember to record all automatic or Electronic Fund Transfer (EFT) deposits, such as your paycheck, in your checkbook when they're deposited.
- **Keep track of withdrawals.** Immediately record and subtract your transactions. This includes: checks you write; ATM withdrawals; all automatic payments, including electronic check conversion, debit card payments at the point of sale, and other direct payments; and fees or service charges, including ATM fees.

- **Balance your account every time you get a statement from your bank.** This means reconciling the information you've recorded in your checkbook against the statement your bank sends to you. Checks processed electronically may be recorded in a different place on your statement than your regular checks, such as in "other withdrawals." Review your statement to be sure checks were only processed electronically once. If your account won't balance, and you can't find the error, call your bank promptly for help.
- **Be careful with telephone transactions.** A merchant may let you make a purchase or payment by e-check over the phone. The merchant should first explain the process and answer any questions you may have about the process. The merchant should then ask for your bank and checking account numbers as they appear at the bottom of your check. The merchant also should ask your permission to charge the account for a specific item you are purchasing or paying for. Your transaction will then be processed and the funds withdrawn from your account electronically.

Be cautious when sharing your bank or checking account numbers. Do not give out personal information on the phone unless you have initiated the contact or know who you're dealing with. Scam artists can use your personal information to commit fraud, such as identity theft — one of the fastest growing white collar crimes in America. That's where someone uses your personal information, such as your checking or credit card account number, Social Security number, mother's maiden name, or birth date, without your knowledge or permission, to commit fraud or theft.

## For More Information

The FTC works for the consumer to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or to get free information on consumer issues, call toll free, 1-877-FTC-HELP (382-4357), or use the complaint form at [www.ftc.gov](http://www.ftc.gov). The FTC enters Internet, telemarketing, identity theft and other fraud related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

<b>FEDERAL TRADE COMMISSION</b>	<b>FOR THE CONSUMER</b>
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